



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of parliament)
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TAX RESEARCH DEPARTMENT

Frequently Asked Questions

Q. (1) A company X purchases material from a company Y and asks him to directly ship the material from company Y to company Z. All the companies, X, Y & Z are in different states. Company Z is the end customer and he cannot utilize ITC. In this scenario, kindly advise if company "X" can utilize ITC for the purchased material from company "Y". Kindly advise on the invoicing procedure to enable company "X" avail ITC.

Ans. Section 16(2) of the CGST Act provides that the goods should be received by the person for availing input tax credit. Explanation to this rule further provides that the goods shall be deemed to be received by the registered person where the goods are delivered to any other person on the direction of such registered person.

In view of this provision, in this case, X can claim the credit of the tax paid by Y. Subsequently, X will raise invoice on Z by charging appropriate taxes and utilise the credit for the purpose of payment of his liability.

Q. (2) I am working in a construction company. We have different sites in one state under one GST No. Each site maintains separate books and passing input and output entries in their books. But the net output liability is paid from RO. What are the entries to be passed to set off the balances and to account the net payment. Under what head ledger accounts are to be opened.

Ans. (A) In the books of individual Side Account:

1. Entry for passing GST Credit:

RO A/cDr
To GST Receivable A/c.

2. Entry for Passing GST Liabilities:

GST Payable Dr.
To RO A/c

(B) In the books of RO:

1. Entry for Creating GST Credit received from sides

GST Receivable A/c..... Dr.
To Side A/c

2. Entry for Creating GST Liabilities:

Side A/c.....Dr.
To GST Payable A/c

Q. (3) My client is not having invoices. But supplier may file in the form of GSTR 1. How to take summary of my invoices regarding my GSTIN.

Ans. You can view in Invoices filed under your GST in GST 2A summary. You Can View as well as download the same.

Q. (4) while I am filing December 2017 return instead of December details i had uploaded and filed October details.....so action can i take? how to rectify it?

Ans. There is no provision to file revised 3B return or GSTR-1. You may inform this to your Range Supdt. and file correct copy of return.

Q. (5) In normal course of business, our company enters in to various contracts with vendors for providing material and services for operational activities. In this case, if there is delay on the part of supplier / contractor to provide materials/services; Liquidated damages are deducted from the amount payable to supplier/ contractor. The LD so deducted is treated as income in case of income in case of revenue accounting and is reduced from project cost in case of capital accounting. Please guide, can GST is applicable on that LD amount?

Ans. Liquidated damages is taxable under G S T

Q. (6) Asset value / Life -50000+ gst/ 5 yrs. GST paid taken as ITC. End of 3rd yr sold for Rs 10000 + gst. Loss on sale booked 10000. Is there any GST liability arises on loss on sale of asset.

Ans. Pl check the amount of credit availed. After 3 years of use, the credit availed should be reduced by 60% and balance 40% should be reversed. Thus, if the sale value is less and the GST amount is less than 40% amount so calculated, you will be required to reverse amount the minimum 40% or GST on scrap sale value whichever is higher.

Q. (7) A person is having two different kinds of business vertical. one is Internet cafe another is Diagnostic centre(Laboratory). For both the business he is having Trade license but he is having single individual PAN card. Under GST whether he can be registered as single registration, if so than what will be the Trade Name he has to be mention in the registration process?

Ans. These two businesses are different altogether. It is advised that separate registrations should be taken as "Business Vertical" for these different businesses.

Q. (8) If shoes sold in March 2017 on 14.5% vat and returned in dec 2017 on 18% gst. On what tax rate credit note will be issued and what is tax liability of sender and what is INPUT available to receiver?

Ans. If this is the case, then you need not issue any other specific document under GST, as the customer's return of shoes will be treated as purchase and input tax credit will be availed by you can you have to pay for the same or alternatively if your accounting or ERP package supports the transaction, transfer the balance from creditors to debtors which is an internal document and this document need not be uploaded or shown in the tax invoice.

Q. (9) I have taken GST Registration on voluntary basis, now i have to cancel my registration due to some issues related to place of business. Now my query is, I should file GST Return of nil for 1 year or not, as voluntary registration may only be cancel after one year.

Ans. GST Council has announced that they will allow cancellation of voluntary registration within a period of one year. However, still the portal is not accepting such cancellation. Hence, you have to wait and check the portal. till that time returns are required to be filed. (Even if no billing done, NIL returns should be filed). If billing is done, GST should be charged.

Q. (10) I would like to know that GST on advance receipt in relation to goods is abolished till March 2018 and also is there any liability arises on advance payment to creditors?

Ans. There is no liability on advance received for supplying goods. Advance received for providing services is however taxable.

Q. (11) Under the Central Excise Clean energy Cess on Coal was levied on Raw Coal only while under GST regime Compensation Cess on Coal is levied at every point of sales. Please clarify the matter in respect to GST regime.

Ans. Compensation Cess on inward supplies is creditable against Compensation Cess liability on outward supplies.

The above makes it clear that the Compensation cess has to be levied at each point of supply

Q. (12) One of our client is selling gold & silver ornaments. They are collecting Chits from individual customers every month and billing to them at the end of CHIT payments. Is GST applicable for every month CHIT amount?

Ans. GST on monthly gold savings deposit schemes payable when they redeem their investments i.e. at the end of the period.

Q. (13) I have paid warehouse charges on behalf of our supplier, Recovering such charges on the behalf of supplier later on is chargeable to GST or not.

Ans. As per Rule 33 of CGST Rules, value of supply of services shall not include expenditure or costs incurred by a supplier as a pure agent of the recipient of supply. For this purpose, the relevant conditions laid down in the rule should be fulfilled. Hence, if you are fulfilling the relevant conditions and acting as pure agent and paying the warehousing charges, no GST will be applicable.

Q. (14) We have filed Nil GSTR 3B filed instead of sales for the month of October 2017, But we came to know that there will be 1 sales invoice pertaining the said October month, how to rectify the said GSTR 3B return and how to file GSTR 1 for m/o Oct 2017.

Ans. You can include it in the month of September and pay interest and file it.

Q. (15) Credit of capital goods used for taxable and exempted sales is to be claim in the month of purchase only or to be claimed in 5 years? If it is to be claimed in 5 years why rule 43 says proportionate credit to be disallowed every tax period to be added to output liability along with interest.

Ans. Credit can be availed in the month of receipt of capital goods.

Q. (16) If service provider is providing taxable and exempted service capital and revenue expenses both are to be claimed proportionately? If yes which rule is applicable for same?

Ans. If the service provider is providing taxable and exempted services, then he is eligible only for proportionate credit attributable to taxable services. The relevant provisions are contained in Rule 42 of CGST Rules.

Q. (17) In case of rented office, does the owner needs GST to be charged on reimbursement of expenses like maintenance charges charged by society?

Ans. If reimbursement is for the statutory charges and he is paying back like electricity charges, then he can opt for the pure agent concept and need not levy GST. But if the same is for maintenance charges, then GST is applicable.

Q. (18) If an unregistered person made an interstate supply to a registered person then why under reverse charge mechanism receiver is liable to pay tax when we know that it is compulsory to take registration for persons making interstate supply.

Ans. Reverse charge on purchases from unregistered suppliers whether intra or interstate has been suspended till Mar 31, 2018.

However, Section 5(4) of the IGST Act mandates payment of IGST under the reverse charge in case of purchases from unregistered interstate suppliers.

It is true that all interstate suppliers need to be compulsorily registered. It is expected that these provisions would be harmonised on or after March 31st, 2018 once the present suspension on reverse charge gets over.